

Legislative Program Review  
& Investigations Committee

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Findings & Conclusions:  
Compliance Review of  
Department of Social Services  
Section 8 Contract Process

June 27, 1996

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## **Introduction**

In May 1996, the Legislative Program Review and Investigations Committee voted to undertake a study of how the Department of Social Services (DSS) awards contracts for services and the extent of agency compliance with required contracting policies and procedures. The study was prompted by a request from the Speaker of the House of Representatives that the committee examine the department's recent award of a contract to administer the statewide Section 8 rental subsidy program.

To address the Speaker's concerns, the committee directed its staff to immediately undertake a compliance review of the Section 8 contract process with the goal of developing findings before the current contract expired on June 30, 1996. Program review committee findings and conclusions concerning the Section 8 contract process, along with background information on the program, are presented below. The full study of DSS contracting procedures and policies will be completed before the end of the year.

Committee findings and conclusions concerning the Section 8 contract are based on materials related to the contract process as well as interviews with key participants. DSS procurement files and related documents were examined. Relevant federal and state procurement laws, regulations, and written guidelines were reviewed. Among the individuals interviewed were: DSS program and administrative staff responsible for the Section 8 contract; the DSS commissioner and the deputy commissioner for administration; several members of each of the two evaluation committees that reviewed proposals submitted in response to the department's RFPs; the staff person responsible for monitoring the Section 8 contract when the program was within the state Department of Housing; staff from the Auditors of Public Accounts and the Office of the Attorney General familiar with the Section 8 contract; and officials from the current contractor, Hartconn Associates, and the new contractor, the Connecticut Association for Community Action (CAFCA).

## **Background: Section 8 Program**

The Section 8 housing certificate and voucher program is a federally funded rental subsidy program for existing housing administered by the U.S. Department of Housing and Urban Development (HUD). The program's purpose is to assist low-income families, elderly individuals, and persons with disabilities obtain decent, safe, and sanitary rental housing through a system of subsidies.

Section 8 subsidies typically are equal to the difference between total rent charged and the tenant's contribution, calculated as 10 percent of unadjusted family income or 30 percent of adjusted gross family income minus a utility allowance, whichever is greater. Two types of subsidies, certificates and vouchers, are available and paid directly to landlords. At present the main difference between the subsidies is the unit rent and utility cost for certificate holders cannot exceed a HUD-established fair market rental limit while no limit exists on the rental payment of voucher holders.

The federal role in the program is primarily as a funding conduit. Each year HUD enters into agreements with public housing authorities, which can be state agencies as well as local entities, to operate the program. Funds are provided for administrative costs, which must be within HUD fee guidelines, as well as the actual subsidy payments passed through to the landlords of eligible households. The housing authorities are responsible for: determining initial and continued eligibility for Section 8 subsidies; determining the amount of assistance to be provided; inspecting rental units to assure conformance with HUD quality standards; and entering into contracts with and making payments to participating landlords.

Until recently, the statewide portion of Connecticut's Section 8 program was under the jurisdiction of the Department of Housing. In 1993, responsibility for the certificate and voucher program was transferred from the housing department to the Department of Social Services, a new agency created through the merger of the former Departments of Income Maintenance, Human Resources, and Aging. At the same time, the social services agency also assumed responsibility for Connecticut's rental assistance program (RAP), a totally state-funded subsidy program patterned after Section 8.

Over state fiscal years 95 and 96, the number of certificates and vouchers included under the DSS Section 8 program has averaged just over 2,600. Subsidies paid through the department's program in FY 96 totaled about \$16.6 million and \$15.8 million in FY 95.

### **Program Administration**

The state Department of Housing administered the Section 8 certificate and voucher program in-house until 1989. At that time, the agency's administrative expenses for the program were exceeding the amount permitted under HUD guidelines. In an effort to reduce costs, DOH management decided to seek proposals from outside contractors. Through a competitive request-for-

proposal process, Hartconn Associates was awarded a multiyear contract to administer the statewide Section 8 program.

The housing department had previously contracted with Hartconn to administer various components of the state rental assistance program. Hartconn, which was founded in 1984, is a private, for-profit housing consulting firm. In addition, it is both a state certified Minority Business Enterprise (MBE) and Woman Business Enterprise (WBE), making it eligible for participation in Connecticut's small business contracting set-aside program.

The original Section 8 contract with Hartconn has been modified several times, including a one-year extension and two six-month extensions after the program was transferred to the Department of Social Services. Hartconn's current contract with DSS expires on June 30, 1996. On July 1, 1996, the Connecticut Association for Community Action will assume responsibility for the statewide certificate and voucher program under a contract awarded by DSS in February 1996.

Among the services provided to the Department of Social Services by the Section 8 contractor under prior and current contract documents are:

- provide outreach services/recruit both tenants and landlords;
- maintain applicant waiting list;
- provide dispute resolution and counseling;
- certify and recertify family eligibility (interim and annual);
- conduct housing unit inspections and reinspections;
- calculate tenant contributions and issue landlord monthly checks;
- establish leases/contracts with landlords;
- develop and administer an applicant/participant appeal process; and
- coordinate with and make referrals to other housing and human service programs.

The Section 8 contract awarded in February 1996 specifically requires the contractor to implement the Family Self Sufficiency (FSS) Program in conjunction with the department. Under this program, a projected 150 families who currently receive Section 8 subsidies will be provided appropriate supportive services as well as incentives to promote self-sufficiency. A relatively new component of the Section 8 housing program, the Family Self Sufficiency Program is part of recent federal and state efforts to reduce the dependency of low-income families on welfare and housing assistance. Hartconn and DSS began implementing FSS in 1993 in response to HUD mandates.

## **Overview: DSS Section 8 Contracting Process**

When the Department of Social Services assumed responsibility for the statewide Section 8 rental subsidies program in 1993, it also inherited the housing department's contract with Hartconn Associates to administer the program. The Hartconn Section 8 contract was due to expire June 30, 1994. After discussions with program and administrative staff, DSS Commissioner Rowe decided to extend the contract with Hartconn for one year. A new contract would then be awarded through a request-for-proposal (RFP) process, in accordance with state and federal requirements and the department's general policy of competitive procurement. Extending the current contract permitted agency staff more time to develop an RFP document and allowed for consideration of recommendations from the department's housing policy workgroup, due to the commissioner in July 1994.

### **Federal Requirements**

The Section 8 contracting process, because of the program's federal funding, is subject to U.S. Department of Housing requirements. HUD policies and regulations do not specify a particular process but require states to follow the same procedures used for nonfederal procurements provided they conform to federal procurement standards. These standards include: full and open competition in all transactions; a contract administration system for assuring contractor compliance; a written code of conduct for employees involved in the award and administration of contracts; making awards only to responsible contractors; documentation of a contract's procurement history; protest procedures for handling procurement disputes; and written selection procedures that ensure solicitations fully describe all technical requirements, conditions to be met, and all evaluation factors.

The HUD regulations outline permissible procurement methods, which include informal small purchase procedures, sealed bids, competitive proposals, and noncompetitive proposals, and when each method is to be followed. Another federal requirement for every procurement action is the performance of a cost or price analysis. The method and degree of analysis depend on the particular procurement situation but making an independent estimate before bids or proposals are received is a required starting point.

### **State Requirements**

Procurement activities by the Department of Social Services are governed by three sets of state statutory requirements: 1) the purchase order system for commodities and routine contractual services such as laundry, printing, equipment maintenance, or security; 2) the personal services agreement (PSA) system; and 3) the purchase of service (POS) process, which applies to state agency contracts with private providers for human services. The DSS Section 8 contract, because it involves a human service program (housing assistance), was subject to the state's POS requirements.

**POS procedures.** The purchase of service process is an outgrowth of recommendations from the Commission to Effect Government Reorganization aimed at improving and standardizing the state system for purchasing human services. In accordance with legislation enacted in 1992, the Office of Policy and Management is establishing uniform policies and procedures for obtaining, managing, and evaluating human services purchased from private providers. To date, OPM, in conjunction with state agency representatives, has developed a standard POS contract format. One required element of the standard contract is the inclusion of client-based outcomes and measures for evaluating performance and holding contractors accountable. At this time, there is no specified POS procurement process but agencies are encouraged to use competitive methods to purchase human services.

As required, DSS employed the standard POS contract document for the Section 8 procurement. The department chose to follow its competitive proposal procedures, which comply with the personal service agreement statutes and are approved by OPM, to award the contract.

**PSA procedures.** The Office of Policy and Management, as mandated by the PSA statutes, has established standards for entering into a personal service agreement, which include provisions for: evaluating the need to use a PSA; developing a request for proposal; advertising for contractors; evaluating submitted proposals; selecting a contractor; monitoring and evaluating contractor performance; and documenting the selection and contract management process. All state agencies must follow the established PSA standards and were additionally required to develop and submit for OPM approval written procedures to implement the standards by July 1, 1994.

The PSA statutes also set forth what must be included in a request for proposal and the evaluation and selection process. By law, the RFP must include an outline of the work to be performed, required minimum qualifications, criteria for proposal review, format for proposals, and the submission deadline. Agencies must establish screening committees to evaluate submitted proposals. The committee must rank all proposals in accordance with the criteria stated in the RFP and submit the names of the top three proposers to the agency head, who must select the contractor from among those names.

**Set-aside program requirements.** State law also requires each state agency that contracts for goods, services, and construction projects valued at \$10,000 or more per year to set aside 25 percent of the average value of all contracts let over the previous three years for award, on a competitive basis, to certified small businesses. Of the amount set aside, 25 percent must be reserved for small businesses owned by minorities, defined as racial and ethnic minorities, women, and people with disabilities. To be eligible for certification as a small business, a contractor must have been in business in Connecticut at least one year and have gross revenues of \$10 million or less. The certification process for small business and those seeking designation as a minority-owned or a women-owned business enterprises (M/WBE) is carried out by the state Department of Economic and Community Development.

The department did not set aside the Section 8 contract procurement for either small or M/WBE contractors although it has reserved entire procurements for certified businesses in the past. According to DSS, one reason the Section 8 contract was not set aside was the likelihood only one certified minority/woman business enterprise, Hartconn, would be qualified to submit a proposal, thus eliminating the possibility of a competitive procurement process.

## **DSS Procedures**

The request-for-proposal process the social services department typically follows is based on procedures developed and used by the former Department of Income Maintenance. The main steps are: evaluate the need for outside services; obtain approval to contract for services from the Office of Policy and Management; develop an RFP and scope of work; advertise the request for proposals; hold a bidders' conference; appoint a committee to evaluate submitted proposals; develop proposal evaluation criteria; receive and evaluate proposals; rank all proposals and submit the names of the top three proposers to the commissioner, who shall select one of the three; hold contract negotiations; and prepare and execute the contract. Unsuccessful applicants may, within 30 days of the signing of the resulting contract, request a meeting for a debriefing and discussion of their submissions.

The technical aspects of the process are carried out by department's contract administration unit within the financial management and operations division. The unit assists program staff, who have primary responsibility for developing RFP documents and evaluation criteria, provides support services to evaluation committees, and generally oversees the procurement process to insure legal and procedural compliance.

## **Section 8 Contracting Process**

As discussed above, the department had decided to use an RFP process to award a contract to administer the statewide Section 8 program for a two-year period beginning July 1, 1995. By November 1994, a draft request-for-proposal document had been developed by DSS program staff in consultation with the contract administration unit and confidentially reviewed by others in the agency familiar with housing issues.

The Section 8 request-for-proposal was prepared in the department's standard format comprised of the following seven parts: 1) an introduction briefly describing the department and the program; 2) an overview of the procurement process; 3) the scope of work; 4) instructions for submitting a proposal; 5) the proposal evaluation process; 6) the "bid packet" (the set of documents such as the workforce analysis form, lobby certificate, etc., that proposers must complete and submit with their proposals); and 7) a checklist of all items required for submission (e.g., table of organization, resumes of key personnel, business proposal, audited financial statements, affirmative action policy, etc.).



The scope of work section of the final RFP stated proposals would be accepted from statewide or regional administrative entities. Special consideration would be given to organizations that demonstrated networking capabilities with community organizations including DSS regional offices and demonstrated previous experience administering housing assistance programs. The RFP noted proposals should present an understanding of the variety of clients served by DSS and strategies to insure a continuum of housing related services.

With the assistance of the contract administration unit, Section 8 program staff developed criteria for evaluating the proposals and the weight that would be given to each. Once the criteria were finalized, the contract administration staff, in keeping with unit policy, sent a copy to themselves in a sealed envelope via certified mail as evidence the criteria were determined before proposals were opened.

The 16 evaluation criteria were organized, as is typical, into three main categories: organizational capacity, covering staff, structure, and experience; project design, measuring a proposal's responsiveness to stated priorities, goals, and objectives; and business proposal, which is cost and budget information. A total rating of 400 points could be received, with organization criteria accounting for 25 percent, project design 50 percent, and cost 25 percent.

A team of four DSS staff including one person from the contract administration unit and three representatives of external housing organizations was appointed as an evaluation committee by the division head responsible for the Section 8 program. One of the outside members subsequently withdrew due to personal time constraints. As is standard practice, the six evaluation committee members were briefed by contract administration staff about the process, their duties, and their obligation to maintain the integrity of the process. All were required to sign confidentiality statements, another standard practice of the unit.

All of the evaluation committee members except for the contract administration staff person were familiar with housing issues and knowledgeable about Section 8 and other housing programs, at least on a policy level. One member had extensive experience with both the Section 8 and RAP programs as a housing coordinator, a field monitoring position that includes conducting unit inspections and checking subsidy rate calculations. Four of the committee members had financial analysis experience and three besides the contract administration representative had prior involvement in request-for-proposal processes.

The RFP was issued on January 6, 1995. A bidders' conference, which like all others was transcribed by a court reporter, was held on February 3, 1995. During the bidders' conference, department staff noted that since the RFP was distributed a new requirement for contract approval had been instituted by the governor's office. Effective February 1995, all executive agencies must submit all contracts for outside services over \$5,000 for review and approval by the governor's office as to need, cost and, and other issues, prior to contract execution.

Later in February, written answers to the questions raised at the bidders' conference or submitted in writing were sent out to the interested parties in keeping with the contract administration unit's standard procedures. The department also issued an amendment to the RFP that added a section concerning mandatory terms and conditions that was inadvertently left out of the original document.

A total of 11 responses were received by the proposal due date, March 3, 1995, which had been extended from the original deadline (February 28, 1995) by a second RFP amendment. The proposals were prescreened by contract administration staff and all were found to meet mandatory submission requirements (e.g., properly submitted, all required forms complete and included, all elements addressed and within the permitted page limits, etc.). The proposals and predetermined evaluation criteria were then sent to the evaluation committee members. The cover letter to the committee instructed members to only use the information provided in the proposal to determine their ratings and to record their scores prior to the formal meeting of the team.

The evaluation team met on two occasions, March 30, 1995, and April 10, 1995, to review proposals and discuss scores. As noted in the cover letter sent to all committee members, all items could be discussed, evaluators could revise scores if they wished based on committee discussions, and in the absence of consensus, scores would be averaged on any particular item.

Of the proposals received, six were for statewide administration and five were limited to certain regions. A regional proposal was received for all but one DSS region. As permitted under department procedures, the evaluation team determined more information was needed from the proposers and decided to schedule structured interviews with the three top-rated statewide and regional proposers. The interviews were held with six proposers on April 17, 1995.

The evaluation committee met on April 20, 1995, to discuss final ratings. A sheet summarizing the final individual and average scores was prepared and then signed by each committee member. Like all summary sheets, the Section 8 form, which also contained notes on the key comments made by committee members, was retained in the contract administration unit's procurement file.

As Table 1 shows, of all the statewide proposers, Hartconn, the incumbent contractor, received the highest total score (309.93 points), but was almost matched (at 309.33 points) by the proposal submitted by the Community Renewal Team (CRT) in conjunction with two other community action agencies. Hartconn also received the highest technical score -- the combined points for organizational capacity and project design -- and submitted the highest price of the six statewide proposers. At 309.34 points, the highest rated regional proposal, which was submitted by the Danbury Housing Authority, was also extremely close to the Hartconn score.

Table 1: Proposals Submitted in Response to First RFP (1/6/95): Evaluation Results							
Proposer	Technical: Org. Capacity	Technical: Project Design	Combined Technical (280 Pts.)	Business Proposal (120 Pts.)	TOTAL (400 Pts.)	Price Proposed	Type Proposal
L. Wagner	68.50	128.01	196.51	88.06	284.57	\$2,498,619	Statewide
HRFM	37.01	86.50	123.51	84.63	208.14	\$2,580,792	Statewide
CRT	61.16	139.34	200.50	108.83	309.33	\$1,822,166	Statewide
Hartconn	74.00	155.00	229.00	80.93	309.93	\$3,538,000	Statewide
Ct-Nahro	75.66	141.66	217.32	75.30	292.62	\$3,174,000	Statewide
Ct. Ho. Continuum	41.33	111.34	152.67	75.53	228.20	\$3,355,070	Statewide
Imagineers	74.01	133.50	207.51	83.83	291.34	\$1,031,995	Regional
Hartford H.A.	64.18	98.50	162.68	70.78	233.46	\$1,192,800	Regional
TVCCA	51.66	124.66	176.32	73.17	249.49	\$580,058	Regional
CTE/Stamford H.A.	71.00	150.68	221.68	77.90	299.58	\$289,118	Regional
Danbury H.A.	71.49	121.51	193.00	116.34	309.34	\$116,256	Regional

A memorandum summarizing the procurement process and the evaluation committee scores was prepared by contract administration staff and sent to the commissioner through the deputy commissioner for administration on June 7, 1995. Strengths and weaknesses of the various proposals were outlined and three options were recommended. One option was to select Hartconn to administer the program in three regions, provided the contractor increased the level of community involvement in the regions among other contingencies, and to award contracts for the northwest and southwest regions to the Danbury Housing Authority and CTE/Stamford Housing Authority, respectively. A second option was to award two contracts, a statewide one to Hartconn with the same contingencies, and a regional one to the Danbury Housing Authority. The third option, which was recommended if the department chose to award only one contract, was to select Hartconn, again with the same contingencies.

Upon review of the procurement memorandum, Commissioner Thomas, who took office in the midst of the selection process in February 1995, decided to withdraw the RFP and reissue a new one later in the year. Letters notifying all proposers of this decision were sent on June 13, 1995. According to the commissioner, her decision was based on the determination that none of the proposals satisfactorily coincided with the direction she believed the department should be taking in administering housing assistance programs. Commissioner Thomas told program review committee staff neither the RFP as written nor the proposals submitted in response to it reflected her desire that the agency's programs be linked together within the DSS regions and be consistent across the five regions.

In the meantime, the department made the decision to notify Hartconn of its intention to extend the current contract to administer the Section 8 program, which expired June 30, 1995, for another six months. The notification was sent on June 6, 1995. On June 9, 1995, Hartconn sent a reply stating a six-month extension was unacceptable. Although initially DSS considered operating the program in-house, a six-month extension was eventually negotiated with Hartconn and finalized on June 16, 1995. The extension also provided for an increase in the contractor's administrative fee due to additional work that would be required to address the effect of welfare reforms on Section 8 subsidies.

DSS program staff began work on a new RFP and by August 1995 draft documents were ready to send to each regional administrator for input. The final document was released on October 2, 1995. The most significant difference between the first and second requests for proposal was the addition of language that emphasized statewide service while stressing collaborative proposals and a strong regional presence, the commissioner's priorities, and a new section on regional perspectives. A new section concerning priority hiring of AFDC recipients also was added and the standard POS contract sections were included as an attachment.

Several new criteria were added to those used in the first RFP process and the weighting of the three main areas was slightly changed to 20 percent organizational capacity, 50 percent project design, and 30 percent cost. As before, a copy of the predetermined criteria was sent in a sealed envelope via certified mail to the contract administration unit. Although the RFP stated the maximum possible points as 500, it appears the points for one of the additional project design criteria was overlooked in computing this total. The actual total possible points was 525. All committee members, however, rated all of the criteria for all of the proposals and the miscalculation has only a minimal effect on the weighting of the three evaluation categories.

A bidders' conference was held on October 12, 1995. Few questions were asked but the department was requested to clarify how the first and second proposals differed and whether regional applications would be accepted. According to the transcript from the bidders' conference, unlike the first process, only statewide proposals would be accepted. Collaboration and strong regional ties were also stressed during the conference.

A new evaluation team was appointed consisting of a representative from each of the five DSS regions and a member of the central office Section 8 program staff. All of the committee members had some knowledge of housing programs and four had extensive experience with Section 8 and RAP programs as housing coordinators or social workers. At least two had participated in other RFP processes and all but one member had financial analysis, budget review and development, or internal auditing experience. The staff person from the contract administration unit who participated in the previous RFP process served as a nonvoting facilitator for the second committee. Like the previous evaluation team, members were briefed and required to sign confidentiality statements.

Four proposals were received by the November 2, 1995, due date. Three of the four proposers, including the incumbent contractor, had participated in the first process. The fourth proposal was a collaborative venture by CAFCA, the umbrella agency for the state's community action agencies, and six of its members: The Access Agency; Community Action Agency of New Haven (CAA-NH); The Community Renewal Team (CRT), New Opportunities for Waterbury (NOW), Norwalk Economic Opportunity Now (NEON); and Thames Valley Council for Community Action (TVCCA). CRT, in collaboration with NOW and CAA-NH, had submitted a statewide proposal and TVCCA had submitted a regional proposal in response to the first RFP.

Proposals were screened by contract administration staff and sent with the criteria to the committee members. The evaluation committee met on November 27, 1995 and completed its ratings that day. As Table 2 shows, the CAFCA proposal received the highest total score, the highest technical score, and contained the lowest price.

Table 2. Proposals Submitted in Response to Second RFP 10/2/95: Evaluation Results						
Proposer	Technical: Org. Cap. (125 Pts.)	Technical: Proj. Design (250 Pts. *)	Combined Technical (375 Pts. *)	Business Proposal (125 Pts.)	TOTAL (500 Pts. *)	Price Proposed
L. Wagner	84.50	179.18	263.68	93.83	357.51	\$1,956,539
Danbury H.A.	62.67	102.84	165.51	92.67	258.18	\$1,666,350
Hartconn	106.00	237.15	343.15	80.17	423.32	\$2,700,000
CAFCA	110.66	263.33	373.99	122.17	496.16	\$1,524,024
* Actual point values, when corrected for omitted score for one criterion, are: Project Design 275, Combined Technical 400, and Total Score 525.						

Given the rapidly approaching expiration date of the Hartconn contract, DSS management decided to once again seek a six-month extension. In a December 5, 1995, letter, the department notified Hartconn of this intention, noting without the extension there would be insufficient time to complete the selection and negotiation process or allow for a transition period, if necessary. Hartconn, in a letter delivered December 15, 1995, informed the department that another extension was unacceptable. However, the agency was able to negotiate the additional six-month extension with Hartconn by December 27, 1995.

A memorandum summarizing the second RFP process and results was prepared by the contract administration staff and sent to the commissioner through the administration deputy commissioner on February 5, 1996. The memorandum outlined the ratings given each proposal but did not contain specific recommendations. However, drafts of each proposer's notification of selection letter that were attached to the memorandum indicated the committee's recommendation to award the contract to CAFCA.

Notification letters were sent to all proposers February 28, 1996. Negotiations were conducted with CAFCA by contract administration staff and a final contract document was prepared. The contract contract, which has a one year term starting July 1, 1996, and ending June 30, 1997, was signed by the agency and the contractor on March 1, 1996, and executed upon approval by the Attorney General on March 7, 1996.

## **Committee Findings and Conclusions**

### **Committee Findings of Fact**

1. The Department of Social Services followed the steps of its established RFP procurement procedures to award the Section 8 contract. Major activities related to the Section 8 procurement were documented and outcomes were verifiable.

2. The withdrawal of the first RFP and reissuance of a second was unusual but fully within the department's authority. This authority was clearly stated under the "Rights Reserved" section of the request-for-proposal document.

3. Based on a comparison of the two request-for-proposal documents, the main change from the first to the second was the addition of several paragraphs to the section on scope of work. The new language strongly encouraged submission of collaborative proposals and emphasized the department's interest in a demonstrated knowledge of regional housing needs and statewide service with a strong presence in each service region.

4. Of the four proposals submitted in response to the second RFP, all were received within the required time frame, pre-screened by contract unit staff and found to satisfy the department's mandatory submission requirements.

5. The four proposals were evaluated in terms of organizational capacity, project design, and cost, both individually and collectively, by a six-person evaluation team. Significant differences in individual member ratings as well as the interpretation of the pre-established evaluation criteria were discussed, sometimes at length, by the committee. Members of the committee had knowledge of housing assistance programs, several had in-depth experience with the Section 8 and RAP programs and the majority had experience reviewing program costs and budgets. Five of the six were representatives of the DSS regional offices and as such had a good understanding of regional operations, needs, and goals.

6. The proposal submitted by CAFCA in response to the second RFP was given the highest technical score -- 373.99 out of a possible 400 points -- of the four proposals rated by the evaluation committee. The Hartconn proposal received the second highest technical score, 343.15 points.

7. The contract price proposed by CAFCA, \$1,524,024, was the lowest of the four submitted in response to the second RFP. Hartconn's proposed cost, \$2,700,000, was the highest. The RFP document stated the statewide Section 8 program involved the administration of 2,776 certificate and vouchers over an 18-month period. Based on these assumptions, the proposed monthly administrative cost per file ranged from a low of \$30.50 for CAFCA, to \$33.35 for Danbury Housing Authority, \$39.16 for L. Wagner Associates, and a high of \$54.03 for Hartconn.

8. The administrative fee proposed by CAFCA was 44 percent less than the cost the incumbent agent, Hartconn, proposed and about 40 percent less than the administrative fee paid to Hartconn each year over the past two fiscal years (approximately \$1.7 million per year). According to the department, the savings in administrative fees resulting from the CAFCA contract can and will be used to fund additional rental subsidies. This plan has been discussed with HUD but has not received a formal response from federal officials at this time.

9. Hartconn's status as a certified M/WBE was not a factor in the Section 8 contract selection process and was not required to be.

10. Following the announcement of the contract award to CAFCA in March 1996, Hartconn requested a debriefing, as permitted under the department's RFP process, to discuss with DSS staff why its proposal was unsuccessful. However, Hartconn never contacted the department to schedule a debriefing meeting time. Hartconn officials told program review staff they believed nothing would be gained by a debriefing.

### **Committee Conclusions**

1. The DSS Section 8 contract process generally complied with relevant state and federal procurement requirements. The process was not error free but mistakes that occurred, such as the absence of the section on mandatory terms and conditions in the first RFP document and the miscalculation of total evaluation scores in second RFP process, were minor and had no significant impact on the selection outcome.

2. The cancellation of the first RFP so late in the process, while permissible, was unfortunate. Time and effort of both agency staff and proposers was wasted and a hastily requested extension of the current contract was necessitated. Perceptions of irregularities in the process were also raised by this uncommon step. However, the commissioner's action was understandable given that the request for proposal was developed without her input and reportedly did not adequately reflect her vision for the agency.

This experience seems to indicate the need for better transition planning and monitoring of contract time frames overall. The department's process for developing and signing off on request-for-proposal documents may also need improvement. Each of these functions will be examined in more depth in the next phase of the committee study.

3. Hartconn's performance was not an issue with the department. No evidence of dissatisfaction with the services provided was revealed in the program materials reviewed or interviews conducted by program review staff. The outcome of the selection process seems more reflective of policy shifts and state organizational changes that occurred since Hartconn was first awarded the Section 8 contract in 1989, along with Hartconn's significantly higher proposed cost.



During the time Hartconn administered the Section 8 program, responsibility for housing subsidies was transferred from an agency focused on providing housing (DOH) to a comprehensive social service entity committed to promoting family self-sufficiency (DSS). Welfare reforms including a reexamination of the role of housing assistance occurred at the state and federal levels. In the course of the initial RFP process, a new administration was elected, a new DSS commissioner was appointed, and the agency's movement toward regionalization expanded and intensified. Regionalization of services and, in many cases, administrative functions was the general direction of the department and, under the current commissioner, became a top priority of the agency's executive team. The second RFP clearly emphasized the department's interest in how a contractor would provide a strong regional presence.

5. Both RFP documents for the Section 8 contract, but especially the second, reflected the department's intention to incorporate housing assistance within its continuum of services model and to operate its programs within a regional framework. As a result, participation in the social service network, collaboration with community-based service organizations, and experience with integrated service delivery became key factors in selecting a Section 8 contractor. While Hartconn had a good record in carrying out the Section 8 program, the requests for proposal called for more than the effective administration of a housing assistance program.

6. Based on the materials presented, it was reasonable for the second evaluation panel to find the CAFCA proposal more responsive to the request for proposal than the Hartconn proposal. Review of the documents submitted shows that Hartconn devotes little attention or detail to agency concerns over collaboration, networking, and a strong regional presence. In contrast, the CAFCA proposal discussed them extensively.

Although a formal debriefing did not occur, review of the evaluation committee scores indicates the weaker areas of the Hartconn proposal. Both the Hartconn and CAFCA proposals received good technical scores overall; their ratings on individual technical criteria generally averaged in the low 20s out of a possible 25 points. For all but two criteria, the Hartconn and CAFCA scores were within 4 points of each other. Hartconn scored higher than CAFCA on 3 of the 5 organizational capacity criteria including those for staff qualifications and experience. The CAFCA proposal consistently received higher scores on the 11 project design criteria, many of which were related to regional issues and collaboration.

7. All four proposers had experience with housing assistance programs, a requirement outlined in the RFP document. It appears the evaluation team considered Section 8 and state rental assistance experience to be essentially equivalent. Hartconn was the only proposer with statewide Section 8 experience. The housing experience of the community action agencies collaborating under the CAFCA proposal was limited to operating the state rental assistance program, a totally state funded program designed to mirror the federal Section 8 program..

Hartconn believes that state rental assistance program experience cannot be substituted for statewide Section 8 experience because of the federal program's more complicated reporting and

program requirements as well as the frequency of changes in federal Section 8 policies and regulation. DSS acknowledges the Section 8 program is more complex than RAP but believes the basic functions are similar enough that with training, which has been arranged through the HUD-approved training program, and technical assistance from DSS central office staff, CAFCA will be able to successfully carry out the program. The department is also considering hiring a consultant on a short-term basis to help the two CAFCA participating agencies with lesser amounts of housing assistance experience develop their programs.

As several Department of Housing staff were assigned to work with Hartconn for about one year to help establish program operations when the first Section 8 contract was awarded, there is precedent for providing a new contractor with technical assistance. Department of Social Services central office staff have noted they will be closely monitoring of CAFCA's performance to ensure all contractual requirements are fulfilled, especially within the established cost parameters.

8. The evaluation committee determined CAFCA's cost was reasonable even though it was substantially lower than the administrative fee paid the incumbent Section 8 agent. No comprehensive price analysis was carried out by the committee and no independent estimate of a reasonable Section 8 administrative fee was prepared as part of the RFP process. The second Section 8 evaluation committee and DSS management apparently were satisfied the CAFCA price was realistic because it was fairly close to the next two lowest cost proposals and was comparable to fees paid to administer the state rental assistance program. As pointed out above, DSS staff intend to closely monitor whether CAFCA can fulfill its obligations at this price.

In the committee's opinion, after-the-fact monitoring is not a satisfactory substitute for thorough analysis of proposed prices and development of cost estimates before a contract is awarded. DSS staff report that extensive cost analyses of RFP submissions rarely occur and commented they would be costly and time-consuming to conduct. In general, evaluation committees rely on comparing proposed costs to determine if any prices are unrealistically high or low. When possible, the department may compile information on fees paid for similar contractual services or for the similar programs in other states. The committee is concerned about the department's approach to analyzing proposed prices for contractual services in general and will be evaluating that function more fully in the next phase of the committee study.

9. In its FY 95 Minority/Women Business Enterprise Report, DSS cited the Section 8 contract with Hartconn as part of its commitment to the goals of the set-aside program. However, Hartconn's certified M/WBE status, as noted earlier, was not made a consideration for the Section 8 procurement process. The committee is concerned over apparent obstacles to DSS implementation of the M/WBE mandate (the nonprofit status of many of its outside service providers which makes them ineligible for set-aside participation, for example) and will be looking at this issue as part of the full study.